

***Energy Efficiency 18: How has Michigan, and how have other jurisdictions, coordinated weatherization for low-income customers and other energy efficiency efforts?***

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***Executive Summary***

1. Michigan has historically spread administration and oversight of government and utility-funded weatherization for low-income customers and energy efficiency programs across several state agencies, with somewhat limited coordination at the state level.
  2. A majority of states have coordinated low-income weatherization and energy efficiency efforts by consolidating similar programs within one or two state agencies.
  3. There appears to be considerable coordination of weatherization and energy efficiency programming, including government, utility, and private initiatives, at the local level in most states, primarily through natural gas and electric providers and community action agencies (CAAs).
  4. Flexibility in implementing these services is important to ensure that CAAs and utilities can effectively serve the low-income population and meet related mandates or targets. Low-income programs yield additional benefits beyond energy savings.
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- 1. Michigan has historically spread administration and oversight of government and utility-funded weatherization for low-income customers and energy efficiency programs across several state agencies, with somewhat limited coordination at the state level.**

Michigan supports low-income weatherization and energy efficiency efforts primarily through federally funded and utility-funded programs. The main federal programs include: Weatherization Assistance Program (WAP), State Energy Program (SEP), and Low Income Home Energy Assistance Program (LIHEAP). LIHEAP also provides energy assistance funding in the form of bill payment support and tax credits for eligible households. The utility programs consist primarily of the energy optimization (EO) programs administered by electric and natural gas providers and paid for by the respective provider's utility customers pursuant to PA 295 of 2008. The utility energy optimization programs cover programs for all types of customers, including specific efforts and funding for low-income customers as discussed further below.

***Federally Funded Programs***

Through several state agencies, Michigan administers a number of federally funded programs to support low-income assistance, weatherization, and energy efficiency programs (see Exhibit 1). The majority of funding for weatherization is through LIHEAP and WAP, from the U.S. Department of Health and Human Services and U.S. Department of Energy, respectively.

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EXHIBIT 1. Federally Funded Low-Income Programs

Program	Federal Funding Agency	State Administrative Agency	Summary	Weatherization/energy-related home repairs included?
Michigan Home Heating Credit (part of LIHEAP)	US HHS	Treasury	Provides credit toward home heating costs to applicants below 110 percent of the federal poverty line	No
State Emergency Relief (part of LIHEAP)	US HHS	DHS	Assists households facing home heating emergencies such as utility shut-offs or service reconnection; also can fund energy-related home repairs; available to applicants below 150 percent of the federal poverty level	Yes, also provides bill payment assistance
Weatherization Assistance Program (WAP)	US DOE	DHS	Provides free home energy efficiency improvement services to homeowners and renters to help reduce energy bills; eligibility limited to households at or below 200 percent of the federal poverty level	Yes, primary purpose
State Energy Program (SEP)	US DOE	MEDC, Michigan Energy Office	Provides energy efficiency education and outreach, demonstration projects, and technical assistance to communities; certain pass-through grants may directly serve low-income customers	Yes, but generally limited

SOURCES: Coalition to Keep Michigan Warm, Current Program and Funding Needs for Low Income Heating Assistance in Michigan, 2009, <http://efile.mpsc.state.mi.us/efile/docs/15918/0006.pdf>; U.S. Department of Health and Human Services, LIHEAP Clearinghouse: State LIHEAP Administering Agencies by Component, N.d.; Michigan Department of Human Services website, [http://michigan.gov/dhs/0,4562,7-124-5453\\_5531-15420--,00.html](http://michigan.gov/dhs/0,4562,7-124-5453_5531-15420--,00.html).

DHS funds are provided to local implementing organizations, generally community action agencies (CAAs), counties, or other nonprofit entities. These sources of funds have also been leveraged by support from community, faith-based, or other nonprofit organizations that provide low-income energy efficiency or emergency energy assistance services. In 2010, Michigan had the second largest contribution of supplemental funds from these community and faith-based sources of all U.S. states.<sup>1</sup>

Other federal funds that are used in Michigan to support low-income housing, weatherization, and energy-related home repairs, include, but may not be limited to:

- HOME Investments Partnership Program (HOME) funding from the U.S. Department of Housing and Urban Development (HUD), which can be used for low-income home improvement loans, including weatherization or energy efficiency upgrades
- Community Development Block Grant funding from HUD to states and individual cities and counties to support efforts related to housing and economic opportunities, principally for low- and moderate-income persons; CDBG includes, but is not limited to, the Neighborhood Stabilization Program administered by MSHDA and other organizations to target communities hit hardest by foreclosures

<sup>1</sup> U.S. Department of Health and Human Services, *LIHEAP Clearinghouse Supplemental Funding*. Available at: <http://www.liheap.ncat.org>.

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and delinquencies through grants to purchase, rehabilitate, or redevelop homes and stabilize neighborhoods

- Low-interest loans and grants through the U.S. Department of Agriculture - Rural Development for housing repairs, including weatherization, for income-qualified households in specific areas of the state

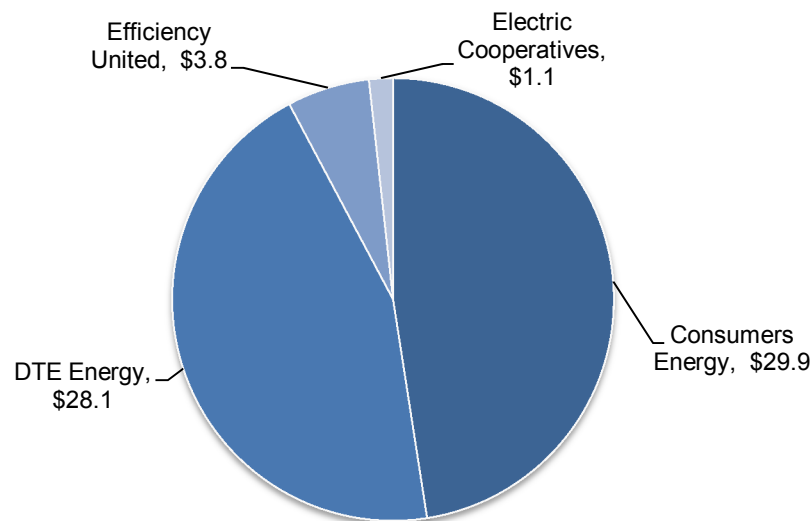
***State-/Utility-Funded Programs***

Michigan has traditionally augmented federal funding with state and utility programs, as discussed below.

- Since mid-2009 pursuant to PA 295, investor-owned and municipally owned utilities and electric cooperatives have provided energy optimization programs, with specific programs targeted at low-income customers, defined as up to 200 percent of the federal poverty level. These programs are funded through a surcharge assessed to the provider's customers and are administered by the providers directly, or a third-party administrator selected by the MPSC (Efficiency United). Approximately \$60 million was provided from 2009 through 2011, and these programs continue to operate (see Exhibit 2). The Michigan Public Service Commission oversees all EO programs, including those serving low-income customers. Under Michigan law, alternative energy suppliers are not required to offer these programs or serve low-income customers.

**EXHIBIT 2. Low-Income Funding by Provider, 2009–2011 (millions of dollars)**

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SOURCE: Michigan Public Service Commission, Report on the Implementation of P.A. 295 Utility Energy Optimization Programs, Revised January 2011.

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- Before 2012, the MPSC administered the Low Income Energy Efficiency Fund (LIEEF) with funding primarily from customers of the state's two largest investor-owned utilities, DTE Energy and Consumers Energy. Seventy percent of LIEEF funds were dedicated to low-income assistance such as shut-off and other protections, as well as energy efficiency measures for households up to 250% of the federal poverty level. The LIEEF funds were often administered by community action agencies and other nonprofit organizations. As discussed below, the LIEEF program was shut down following a 2011 court decision and replaced in part with temporary funding.

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In 2011, the Michigan Court of Appeals ruled that the MPSC was acting outside its powers by approving the collection of funds from utility customers and administering LIEFF. The program was terminated, and the MPSC canceled over \$60 million in grants that were targeted toward low-income energy assistance. In response to the ruling, the state created the "Vulnerable Household Warmth Fund" to help low-income households pay their energy bills on a one-time basis during the 2011–2012 heating season (this temporary fund covered only bill payment assistance, not weatherization). In January 2013, the governor and legislature sought a more permanent solution and created the Michigan Energy Assistance Program, which will be administered by the DHS. The program will provide energy assistance, including bill payment assistance and energy efficiency, to low-income households that have an income of not more than 150% of federal poverty guidelines. More than two-thirds of the program funding must be used during the "crisis season," defined as November 1 through May 31. Two short-term appropriations (totaling \$60 million) were made for this program using General Funds and Temporary Assistance for Needy Families (TANF) funds, but the state has still not finalized a long-term funding mechanism for the program.<sup>2</sup>

**2. A majority of states have coordinated low-income weatherization and energy efficiency efforts by consolidating similar programs within one or two state agencies.**

There can be benefits to consolidating various funding and activities for low-income assistance, weatherization, and energy efficiency under one or two state agencies.

Few states have consolidated all of these functions within an individual agency. The following 10 jurisdictions have combined all the major federal programs (LIHEAP, WAP, and SEP), and in some cases supplemental state funding, within one agency:

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|------------------------|-----------------|
| ■ Alabama              | ■ New Hampshire |
| ■ American Samoa       | ■ Ohio          |
| ■ District of Columbia | ■ Rhode Island  |
| ■ Illinois             | ■ Washington    |
| ■ Minnesota            | ■ Wisconsin     |

Ohio, Wisconsin, and the District of Columbia further coordinate efforts by including utility customer-funded programs in the same agencies. Under this approach, utilities leverage a charge on all customers for low-income weatherization and payment assistance (as well as other energy efficiency programs), and remit those funds to the state in order to augment federal and state programs. In Wisconsin, for example, the Department of Administration receives and administers the various federal funds, and integrates those with public benefit funds to offer the Wisconsin Home Energy Assistance Program.<sup>3</sup>

It is not essential, or even necessarily preferred, to consolidate all of these functions within one agency. Since many programs operate somewhat independently with various income eligibility and other program requirements, coordination is more important than grouping programs under a single umbrella agency. Typically, states group services under the human services agency and/or an energy agency (Energy Office, public service commission). When weatherization is combined with other low-income programs,

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<sup>2</sup> U.S. Department of Health and Human Services, *LIHEAP Clearinghouse: Michigan Creates New Energy Assistance Program*, N.d, available at <http://www.liheap.ncat.org/news/jan13/mi.htm> (accessed 3/26/13).

<sup>3</sup> Wisconsin Department of Administration, Division of Energy Services, *Wisconsin Public Benefits Home Energy Plus Programs Annual Report July 1, 2010–June 30, 2011* (2011), available at <http://homeenergyplus.wi.gov/docview.asp?docid=23001> (accessed 3/26/13).

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such as heating bill payment assistance, food stamps and cash assistance, affordable housing, job counseling, etc., it can benefit program administrators and clients by: (1) more holistically serving low-income families to address their housing, finances, employment, and health needs; (2) streamlining intake and eligibility screening (e.g., joint enrollment); and (3) facilitating funding transfers among programs and services. Accordingly, 32 states have combined heating bill assistance programs and weatherization into one state agency in order to take advantage of opportunities to provide both preventive and immediate need energy assistance to low-income clients.<sup>4</sup> DHS handles both of these functions for Michigan.<sup>5</sup>

Another common approach used by states is to group the low-income and non-low-income energy related services, such as low-income weatherization and other energy efficiency programs, bill assistance, energy education and outreach. This approach can help match the client's energy-related needs in a comprehensive manner (home repairs, high bills, non-payment issues) with available programs based on need and eligibility.

In Michigan, there are five agencies involved as follows:

- Bill payment assistance—DHS<sup>6</sup> and Treasury
- Low-income weatherization—DHS (for WAP), MSPC (for utility low-income programs), and MSHDA (financing and grants for low-income housing repairs)
- Non-low income energy efficiency—MPSC (utility programs) and MEDC Energy Office (energy education and pass-through grants for energy efficiency)

It is not necessary to consolidate all of these functions under one agency but coordination is essential. As discussed below, much of this coordination happens at the local level by CAAs, utilities, and other agencies. For example, utility EO programs are directly augmenting the federally funded WAP to streamline efforts and leverage available funding. As in other states, the WAP-funded portion does not count toward the utility's energy efficiency requirements in the statute. In other words, utilities only receive credit for the energy savings resulting from their specific contribution.

**3. There appears to be considerable coordination of weatherization and energy efficiency programming, including government, utility, and private initiatives, at the local level in most states, primarily through natural gas and electric providers and community action agencies.**

While coordination and consolidation of programming at the state level varies somewhat, it appears that there is significant integration of programs at the local level among the CAAs and other organizations (counties or other nonprofit organizations) that implement many of these federal, state, and utility programs. CAAs work with other human service providers in their area, utility companies, fuel providers, and other low-income assistance service providers to leverage and maximize services available to low-income clients. In order to help reduce the burden of energy costs, CAAs regularly refer their low-income

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<sup>4</sup> In Montana for example, when clients enroll in the LIHEAP program, they are also enrolled in the WAP program through a joint application process. While clients are waiting for their financial energy assistance payments, they are contacted by the WAP program and audits and weatherization services are scheduled. See Montana Department of Public Health and Human Services, *Low Income Energy Assistance website*, N.d., available at <http://www.dphhs.mt.gov/programs/services/energyassistance/index.shtml> (accessed 3/26/13).

<sup>5</sup> The Department of Treasury administers the home heating tax credit.

<sup>6</sup> It is expected that the MPSC will support the DHS in the administration of the new Energy Assistance Program. Permanent funding for this program has not been established.

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clients to other related assistance or education programs such as their own weatherization services, other energy efficiency options, or bill payment assistance programs.<sup>7</sup>

Thirty states reported that CAAs were their primary local administrator for LIHEAP heating, cooling, and crisis funding, and the majority of states (including Michigan) report that CAAs are the primary customer intake site for weatherization assistance.<sup>8</sup>

In addition, Michigan's utilities and energy optimization administrators continue to work with CAAs, as well as other community organizations, to implement their energy optimization program requirements and coordinate with other organizations on innovative initiatives to serve low-income customers.

Since funding for many programs has been cut with the loss of American Recovery and Reinvestment Act (ARRA) dollars, the availability of leveraged funds has been limited, and capacity of CAAs has been reduced. Utilities have responded to this by ramping up other initiatives. For example:

- Consumers Energy's Helping Neighbors program served nearly 10,000 income-qualified families in 2012.<sup>9</sup> In addition, Consumers Energy performed over 4,000 furnace inspections and tune-ups in 2012, and administered a pilot program to provide Head Start students and their families with free energy-savings measures and energy education, at home and in the classroom.
- DTE Energy focused on a diverse delivery method for energy efficiency assistance programs that included: tapping into the traditional CAA WAP programs; distributing compact fluorescent lights (CFLs) at food banks; Furnace Test and Tune-Up Program; Refrigerator Replacement Program and Special Projects, Pilots and Neighborhood Collaborations. Through these efforts in 2012, approximately 100,000 CFL bulbs were distributed, 3,238 customers received test and tunes, 1,478 furnaces were replaced, and nearly 1,100 customers received replacement refrigerators. Targeted marketing was used to increase the number of low-income customers who participated in 2012 in direct installation of energy saving measures in both single-family homes and multi-family units, allowing DTE Energy to reach more than 10,000 low-income families.

**4. Flexibility in implementing these services is important to ensure that CAAs and utilities can effectively serve the low-income population and meet related mandates or targets. Low-income programs yield additional benefits beyond energy savings.**

The fact that many programs exist, with so many variables (for example, many funding streams, some federal and some state, some public and some private; different income eligibility requirements), inherently creates overlap. The income and other guidelines associated with various programs—often embedded in federal statutes—make it more challenging, and presumably more costly, to meet the needs of Michigan's low-income population. Yet the overall need to weatherize low-income households is greater than the available funds so it is essential to streamline program delivery as much as possible.

Low-income weatherization programs have financial and social benefits beyond energy savings.<sup>10</sup> Over the long term, weatherization can help to reduce the amount of LIHEAP and other funds that are used for emergency bill payment assistance to avoid or address utility shut-offs. If customers can pay their bills

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<sup>7</sup> Michigan Community Action Agency Association (MCAAA, *MCAAA website* (N.d.), available at <http://www.mcaaa.org/> (accessed 3/24/13).

<sup>8</sup> U.S. Department of Health and Human Services, *LIHEAP Clearinghouse: State LIHEAP Administering Agencies by Component* (N.d.), available at <http://www.liheap.ncat.org/adminintro.htm> (accessed 3/26/13).

<sup>9</sup> The Helping Neighbors program provides direct installation of energy-efficient lighting, thermostats, showerheads, and aerators, and provides energy education to assist families in managing energy use.

<sup>10</sup> <http://www.aceee.org/topics/low-income-programs>

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more easily as a result of more efficient homes, the end result can be fewer arrearages and disconnections. These and other benefits are often considered when determining targets and cost-effectiveness thresholds for programs. For example, the EO low-income programs are not required to meet the same narrow cost-effectiveness criteria as other energy efficiency programs.

The experience with low-income programs under LIEEF and subsequent efforts to create a substitute for this funding has shown that the state can play an important role by allowing state funds to be used in a manner that creates additional flexibility (with proper oversight) and leverages private, utility, and federal funding sources.